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Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 USIA-06
EB-08 COME-00 TRSE-00 LAB-04 SIL-01 OMB-01 /075 W
----------014281 241043Z /21
R 240902Z FEB 78
FM USLO PEKING
TO SECSTATE WASHDC 9972
INFO AMCONSUL HONG KONG
AMEMBASSY TAIPEI
AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 1 OF 2 PEKING 0510

E.O. 11652: GDS
TAGS: ELAB EIND CH
SUBJ: REGIONAL DIVERSITY IN PRC WAGE INCREASE

REF: A) 77 PEKING 2670, B) HONG KONG 1520, C) PEKING 98

1. SUMMARY. CURRENT INFORMATION ON THE CHINESE WAGE INCREASE POINTS TO GREAT VARIATIONS NOT ONLY IN SUCH MATTERS AS TIMING OF IMPLEMENTATION (REF B), BUT MORE IMPORTANTLY IN THE COVERAGE OF THE INCREASE. IN NEARLY ALL SOUTHERN CITIES FOR WHICH WE HAVE INFORMATION 40-46 PERCENT OF THE WORKERS APPEAR TO BE CANDIDATES FOR INCREASES. IN SHANTUNG, HOPEI AND HONAN WE HAVE MORE OFTEN BEEN INFORMED THAT 60 PERCENT ARE GETTING THE INCREASE. WE HAVE NO READY EXPLANATION FOR THIS MARKED DISPARITY, BUT IT COULD BE THAT THE BROADER INCREASE IS INTENDED TO COMPENSATE FOR A HIGHER COST OF LIVING IN THE NORTH. IRRESPECTIVE OF REGION, THE MONTHLY INCREASE APPEARS TO BE IN THE 5-7 YUAN RANGE, AND IMPLEMENTATION OF THE INCREASE HAS PROGRESSED STEADILY. END SUMMARY.

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2. CURRENT WAGE INCREASE INFORMATION SUGGESTS SIGNIFICANT VARIATION NOT ONLY IN THE ACTUAL IMPLEMENTATION OF THE INCREASE AT DIFFERENT FACTORIES (REF B), BUT ALSO IN THE COVERAGE OF THE INCREASE IN DIFFERENT REGIONS. RECENT REPORTS FROM FACTORIES IN THE SOUTHERN CITIES OF SHANGHAI, CHANGSHA, KWANGCHOW AND KUNMING AND FROM A FACTORY IN SIAN HAVE INDICATED THAT 40-46 PERCENT OF WORKERS

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AND STAFF HAVE RECEIVED OR WILL RECEIVE INCREASE.
MOST FACTORIES IN TSINAN, CHENGCHMW AND SHIHCHIACHUANG
APPEAR TO BE REWARDING INCREASES OF 60 PERCENT,
HOWEVER.

3. OUR REPORTS COME FROM A FAIRLY WIDE RANGE OF
FACTORIES, BUT SOMETIMES ONLY ONE IN EACH CITY:
(A) FACTORY, (B) MONTH VISITED AND (C) PERCENT OF
FACTORY WORKERS:STAFF RECEIVING INCREASE.
A. (A) SHANGHAI NO. 2 COTTON MILL, (B) JAN 1978, (C) 40 PERCENT.
2. (A) SHEK WAN POTTERY FACTORY, FOSHAN, KWANGTUNG,
(B) JAN 1978, (C) 40 PERCENT.
3. (A) KWANGCHOW AUTOMOBILE PLANT, (B) DEC 1977, (C) 46 PERCENT.
4. (A) KWANGCHOW HEAVY MACHINERY FACTORY, (B) DEC 1977,
(C) 46 PERCENT.
5. (A) TSINAN TRACTOR FACTORY, (B) JAN 1978, (C) 60 PERCENT.
6. (A) TSINAN DIESEL ENGINE PLANT, (B) JAN 1978, (C) 60 PERCENT.
7. (A) TSINAN PENCIL FACTORY, (B) JAN 1978, (C) 60 PERCENT.
8. (A) CHENGCHOW ARTS FACTORY, (B) FEB 1978,
(C) 60 PERCENT.
9. (A) CHENGCHOW NO. 3 COTTON TEXTILE MILL,
(B) FEB 1978, (C) 53 PERCENT.
10. (A) SHIHCHIACHUANG TRACTOR FACTORY,
(B) FEB 1978, (C) 60 PERCENT.
11. (A) CAPITAL IRON AND STEEL COMPANY (PEKING),
(B) NOV 1977, (C) 46 PERCENT.
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12. (A) SZECHWAN NO. 1 TEXTILE FACTORY (CHENGTU),
(B) DEC 1977, (C) 60 PERCENT.
13. (A) SIAN HSIPEI NO. 4 TEXTILE FACTORY,
(B) OCT 1977, (C) 40 PERCENT.
14. (A) KUNMING MACHINE TOOL FACTORY,
(B) NOV 1977, (C) 40 PERCENT.
IT WOULD HAVE BEEN PREFERABLE TO INCLUDE MORE FACTORIES
IN THIS SAMPLE, PARTICULARLY FOR LARGE CITIES LIKE
PEKING AND SHANGHAI AND FOR OTHER PROVINCES. THE
FIGURE CITED BY THE ONE SHANGHAI FACTORY LISTED IS
SUPPORTED BY THE FEB 5 NCNA SHANGHAI DISPATCH
THAT STATED THAT "OVER 40 PERCENT" OF SHANGHAI
WORKERS ARE RECEIVING INCREASES. THIS CONTRASTS WITH

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EB-08 COME-00 TRSE-00 LAB-04 SIL-01 OMB-01 /075 W
----------014366 241044Z /21
R 240902Z FEB 78
FM USLO PEKING
TO SECSTATE WASHDC 9973
INFO AMCONSUL HONG KONG
/AMEMBASSY TAIPEI 1483
AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 2 OF 2 PEKING 510

AN NCNA PEKING REPORT ON THE SAME DAY WHICH SAID THAT
60 PERCENT OF PEKING WORKERS WILL RECEIVE A WAGE INCREASE
THIS YEAR. WE ARE NOT YET CERTAIN HOW THIS STATEMENT
CAN BE RECONCILED WITH THE 46 PERCENT FIGURE OFFERED
FOR THE CAPITAL IRON AND STEEL COMPANY, BUT WE NOTE
THAT AN OFFICIAL IN THE CHENGCHOW NO. 3 COTTON TEXTILE
MILL STATED THAT THE APPROVED LIMIT OF
INCREASES WAS 60 PERCENT BUT THAT ONLY 53 PERCENT
MET VARIOUS CRITERIA FOR AN INCREASE.

4. DESPITE THE REGIONAL DIFFERENCES IN THE SCOPE
OF THE INCREASE, THERE APPEARS TO BE LITTLE
DEVIATION IN THE AMOUNT OF THE MONTHLY INCREASE TO BE
AWARDED TO EACH WORKER. A RANGE OF 5-7 YUAN PER MONTH
HAS BEEN REPORTED CONSISTENTLY, REFLECTING THE FACT
THAT HIS RANGE WAS STIPULATED IN THE CENTRAL DIRECTIVE
ON WAGES.

5. THERE IS PROBABLY STILL SOME VARIATION IN ACTUAL
IMPLEMENTATION OF THE INCREASE. IN JANUARY, THE
INCREASE HAS BEEN IMPLEMENTED IN CERTAIN (BUT PROBABLY
NOT ALL) FACTORIES IN SHANGHAI, CHANGSHA AND KWANGCHOW.
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IT HAD NOT BEEN IMPLEMENTED IN A FACTORY VISITED IN
WUHAN(REF B). OF THE THREE TSINAN FACTORIES VISITED
BY USLO OFFICER IN JANUARY (REF A), ONLY ONE HAD
IMPLEMENTED THE INCREASE WHILE THE OTHER TWO WERE FAR
ALONG IN THEIR PREPARATIONS. ALL BUT ONE OF THE FACTORIES VISITED
IN CHENCHOW AND SHIHCHICHUANG IN MID-FEBRUARY
HAD IMPLEMENTED THE INCREASE. IT APPEARS THAT
IMPLEMENTATION IS MUCH FARTHER ADVANCED NOW THAN

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IT WAS LAST NOVEMBER (REF A) AND THAT LARGE NUMBERS OF FACTORIES DISTRIBUTED LARGE SUMS OF MONEY (BECAUSE OF THE RETROACTIVITY FEATURE OF INCREASE) IN LATE 1977 AND EARLY 1978. WHAT PRESSURE THIS HAS PUT ON UNCONTROLLED PRICES IS UNCLEAR. THERE ARE PROBABLY MANY REASONS, PRIMARILY ADMINISTRATIVE, FOR THE DIFFERENT PACE OF IMPLEMENTATION AT DIFFERENT PLANTS, BUT PLITICIAL FACTORS MAY ALSO BE IMPORTANT IN SOME PLACES (REF B).

6. COMMENT: REPORTS INDICATING A SIGNIFICANTLY BROADER (60 PERCENT) INCRESASE IN SOME PROVINCES AS OPPOSED TO A NARROWER (40-46 PERCENT) SCOPE INOTHER PROVINCES ARE TOO CONSISTENT, IN OUR VIEW, TO BE BASED ON MISUNDERSTANDING. WE ALSO DOUBT, GIVEN THE FINANCIAL IMPACT OF THE INCREASE, THAT SUB-PROVINCIAL UNITS OR FACTORIES HAVE BEEN GIVEN MUCH LATITUDE IN DETERMINING THE SCOPE OF THE INCREASE (IT IS CLEAR, HOWEVER, THAT FACTORIES ENJOY FAIRLY WIDE LATITUDE IN DETERMINING BENEFICIARIES). BOTH THE PROVINCIAL VARIATIONS AND COVERAGE OF THE MONTHLY INCREASE ARE UNDOUBTEDLY DICTATED BY PEKING. HAVING SAID THIS, WE ARE AT A LOSS TO EXPLAIN THE PROVINCIAL VARIATIONS. IT IS TRUE THAT NORTHERNERS FACE A SOMEWHAT HIGHER COST OF LIVING AND HAVE A LESS VARIED DIET THAN SOUTHERNERS. WHETHER
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THE DISPARITY IS INTENDED TO CONPENSATE FOR THIS, AID IF IT IS SO, HOW IT IS TO DO IT IS UNCLEAR, HOWEVER.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WAGES, PRESS COMMENTS, ECONOMIC CONDITIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 feb 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PEKING00510
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780085-1186
Format: TEL
From: PEKING
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780216/aaaaanhq.tel
Line Count: 204
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 79c138d0-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY
Reference: 77 PEKING 2670, 78 HONG KONG 1520, 78 PEKING 98
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 13 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3485959
Secure: OPEN
Status: NATIVE
Subject: REGIONAL DIVERSITY IN PRC WAGE INCREASE
TAGS: ELAB, EIND, CH
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/79c138d0-c288-dd11-92da-001cc4696bcc
Review Markings:
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Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014